



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 6, 2002

H.R. 4560 **Auction Reform Act of 2002**

*As ordered reported by the House Committee on Energy and Commerce on May 2, 2002,
and revised by Committee staff on May 6, 2002*

SUMMARY

H.R. 4560 would repeal statutory deadlines for auctioning licenses for the use of some of the electromagnetic spectrum currently allocated to television channels 52 through 69. The revised bill also would direct the Federal Communications Commission (FCC) to auction this spectrum before FCC's authority to conduct auctions expires, and issue a report within one year after enactment on issues related to rescheduling the auction of those frequencies.

CBO estimates that enacting H.R. 4560, as revised, would lead to a net increase of receipts and thus a decrease in direct spending of \$1.2 billion over the 2003-2007 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 4560 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4560 is shown in the following table. The costs of this legislation fall within budget function 950 (undistributed offsetting receipts).

By Fiscal Year, in Millions of Dollars						
	2002	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING						
Channels 52-69 Auction Receipts						
Under Current Law						
Estimated Budget Authority	0	-2,800	-600	-600	0	0
Estimated Outlays	0	-2,800	-600	-600	0	0
Proposed Changes						
Estimated Budget Authority	0	2,800	600	600	-2,600	-2,600
Estimated Outlays	0	2,800	600	600	-2,600	-2,600
Channels 52-69 Auction Receipts						
Under H.R. 4560, as revised						
Estimated Budget Authority	0	0	0	0	-2,600	-2,600
Estimated Outlays	0	0	0	0	-2,600	-2,600

BASIS OF ESTIMATE

Under current law, the spectrum currently allocated to television channels 52 through 69 should be available for new commercial uses after the television stations complete their expected transition from analog to digital broadcasting technology. CBO expects that, under current law, this transition will occur well after the statutory goal of December 31, 2006. Companies would discount the amount they are willing to pay for such licenses because of the lag between an auction and completion of the transition to digital television. We estimate that proceeds from the FCC's auction of these bands, which is scheduled to start on June 19, 2002, would total about \$4 billion under current law.

For this estimate, CBO assumes that the auction of these licenses would most likely occur during the 2005-2007 period. Such a delay would shorten the lag between the auction and when bidders could use the frequencies, thus increasing the likely proceeds relative to current law. CBO estimates that proceeds would total \$5.2 billion if all of the frequencies were auctioned over the 2005-2007 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in estimated direct

spending are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	2,800	600	600	-2,600	-2,600	0	0	0	0	0
Changes in receipts						Not applicable					

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4560 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS ESTIMATE

On May 2, 2002, CBO transmitted a cost estimate for H.R. 4560 as ordered reported by the House Energy and Commerce Committee on May 2, 2002. We estimate that enactment of that version of the bill would lead to a net loss of receipts and an increase in direct spending of \$1.4 billion over the 2003-2007 period because the previous version of the bill would not require the FCC to auction spectrum allocated to channels 52 through 69 before its current authority expires.

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